

## Message Text

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ACTION EUR-12

INFO OCT-01 XMB-02 ISO-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13 NEA-10  
NSAE-00 ICA-11 OPIC-03 SP-02 LAB-04 SIL-01  
AGRE-00 OMB-01 SS-15 /112 W  
-----083467 111753Z /47

R 111612Z APR 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 7535  
DEPARTMENT TREASURY  
INFO AMEMBASSY ANKARA  
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 06575

USOECD  
DEPARTMENT PASS EXIMBANK

E.O. 11652: GDS  
TAGS: ECON, EFIN, GW  
SUBJECT: FRG ASSISTANCE TO TURKEY

REF: BONN 6078, 77 BONN 20054

1. SUMMARY -- DURING THEIR FOUR DAYS IN THE FRG, TURKISH MINISTERS CETIN AND BULUTOGLU COMPLETED AN AMBITIOUS SCHEDULE OF CALLS ON GERMANY'S ECONOMIC LEADERSHIP, PRESSING FOR INCREASED FINANCIAL ASSISTANCE AND GERMAN SUPPORT OF THEIR PREFERENCE FOR OPERATING WITHIN THE FRAMEWORK OF THE OECD CONSORTIUM. INDICATIONS ARE THAT REQUESTS FOR DIRECT FINANCIAL ASSISTANCE WERE TURNED ASIDE ON THE GROUNDS THAT ADDITIONAL FINANCIAL ASSISTANCE WOULD HAVE TO ORIGINATE FROM A MULTILATERAL BODY. THE FRG NOW SEEMS TO BE LEANING TOWARDS THE CONSORTIUM AS THE FORUM FOR THE RESCHEDULING OF OFFICIAL DEBT, ALTHOUGH PERHAPS WITH A WRINKLE. END SUMMARY  
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2. IN THE FRG, APRIL 3-7, TURKISH MINISTERS CETIN AND BULUTOGLU MADE CALLS AT THE GERMAN MINISTRIES OF ECONOMICS (LAMBSDORFF), FINANCE (MATTHOEFER), ECONOMIC COOPERATION, THE FOREIGN OFFICE (HERMES), THE BUNDESBANK (EMMINGER). THEY ALSO FOUND TIME TO VISIT THE FEDERATION OF GERMAN INDUSTRY (BDI) AND THE

FEDERATION OF GERMAN LABOR (DGB).

3. IN CONVERSATIONS WITH WORKING-LEVEL OFFICIALS IN THE FINANCE AND ECONOMICS MINISTRIES WE WERE TOLD THAT THE MINISTERS EMPHASIZED THE SERIOUSNESS OF THE TURKISH PAYMENTS SITUATION, POINTED TO REFORMS THAT ARE UNDERWAY IN TURKISH ECONOMY AND EXPLORED THE POSSIBILITIES OF FINANCIAL ASSISTANCE. THE GERMAN REPLY -- A LINE WHICH REPORTEDLY WAS UNIFORMLY FOLLOWED -- WAS THAT BILATERAL ASSISTANCE HAD REACHED THE LIMIT BUT A MULTILATERAL APPROACH COULD BE CONSIDERED (NOTE: WITH SOME CEREMONY THE DM 50 MILLION "FAST BURSTING" COMMODITY AID AGREEMENT REPORTED IN BONN 20054, 1977, WAS SIGNED DURING THE VISIT). THE MINISTERS ALSO ASKED ABOUT THE POSSIBILITY OF EXPANDING THE GOVERNMENT'S (HERMES) EXPORT CREDIT GUARANTEE LIMIT. THE GERMAN RESPONSE SEEMS TO HAVE BEEN VAGUE. AT PRESENT THE HERMES LIMIT FOR TURKEY IS DM 100,000 PER APPLICATION FOR A MAXIMUM TERM OF 180 DAYS. TOTAL HERMES EXPOSURE IN TURKEY IS CURRENTLY ABOUT/DDM 50 MILLION WITH ANOTHER DM 50 MILLION IN APPLICATIONS IN THE PIPELINE WHICH ARE EXPECTED TO BE AUTHORIZED SOON.

4. THE GERMAN ATTITUDE ON THE FORUM FOR RESCHEDULING NOW SEEMS WEIGHTED ON THE SIDE OF THE CONSORTIUM. OUR

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 06575

ECONOMICS MINISTRY CONTACT MENTIONED THAT LAMBSHORFF TOLD THE TURKS THAT THEY COULDN'T BE FORCED INTO THE PARIS CLUB AND THAT ACCOMMODATIONS IN THE CONSORTIUM COULD PROBABLY BE WORKED OUT, THUS COMING MORE IN LINE WITH SENTIMENT IN THE FOREIGN OFFICE. THE FINANCE MINISTRY SOURCE INDICATED THAT HER MINISTRY STILL FAVORS THE PARIS CLUB AND EMPHASIZED THAT NO FORMAL DECISION HAS YET BEEN MADE. THE REAL CONCERN FROM THE FINANCE MINISTRY'S STANDPOINT IS SEPARATING A RESCHEDULING OPERATION FROM GRANTING OF NEW ASSISTANCE. NOTING THE FACE-SAVING ASPECTS OF GOING THE CONSORTIUM ROUTE, THE FINANCE MINISTRY OFFICIAL THOUGHT WAYS COULD BE FOUND TO SEPARATE THE PROCESSES EVEN UNDER CONSORTIUM AEGIS.

5. IN THEIR MEETING WITH FINANCE MINISTER MATTHOEFER, THE MINISTERS MENTIONED THAT THEY WOULD BE MEETING WITH BUNDESBANK OFFICIALS WITH THE INTENT OF DISCUSSING A BUNDESBANK LOAN. ALLUDING TO PREVIOUS ASSISTANCE  
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PACKAGES GRANTED ITALY AND PORTUGAL, THE TURKS SUGGESTED THAT SUCH ASSISTANCE WOULD BE APPROPRIATE IN THE CASE OF TURKEY. MATTHOEFER REPORTEDLY REPLIED THAT THAT DECISION WOULD HAVE TO BE MADE BY THE BUNDESBANK BUT AS HE RECALLED THE PORTUGUESE AND ITALIAN LOANS WERE GOLD BACKED AND ADDED THAT SINCE TURKEY IS HOLDING SOME \$120 MILLION IN GOLD PERHAPS SOMETHING COULD BE WORKED OUT.

6. THE FINANCE MINISTRY OFFICIAL WITH WHOM WE SPOKE STRESSED THE NEED TO TREAT PUBLIC AND PRIVATE DEBT EQUALLY IN THE EVENT OF A RESCHEDULING IN ORDER NOT TO BAIL OUT PRIVATE CREDITORS. SHE ALSO COMPLAINED THAT RUMORS AND FALSE REPORTS OF LOANS TO TURKEY MAKE ASSESSMENT OF THE SITUATION DIFFICULT. SHE RECOMMENDED CLOSE COORDINATION IN ORDER TO KEEP OUR FACTS STRAIGHT.

7. COMMENT: AS ONE OF OUR CONTACTS POINTED OUT, THE FRG ATTACHES GREAT IMPORTANCE TO TURKISH STABILITY AND WE DO NOT RULE OUT ENTIRELY THE POSSIBILITY OF BONN'S

MAKING A POLITICAL DECISION TO INCREASE BELATED  
ASSISTANCE TO TURKEY.  
STOESSEL

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## Message Attributes

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**TAGS:** ECON, EFIN, GE  
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